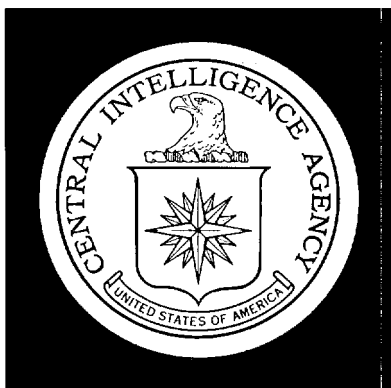


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COMMUNIST CHINA: Peking is projecting a "business as usual" image in an apparent attempt to dampen foreign speculation about a crisis in China's top leadership.

Premier Chou En-lai has made almost daily appearances since 16 September and has met on occasion for several hours with relatively low-level foreign dignitaries. Several other civilian politburo members have made repeated public appearances in the past week and Vice Premier Li Hsien-nien traveled to Hanoi on 24 September. Army logistics chief Chiu Hui-tso also turned up at a minor diplomatic function on 22 September--the first time that a military man on the politburo has surfaced since a major leadership meeting apparently convened on 12 September. Finally, [redacted] Communist cadres in Hong Kong are claiming that preparations for the Canton Trade Fair, scheduled to open on 15 October, are "proceeding as usual."

Despite these efforts, the regime has still failed to provide a plausible explanation for the curious chain of events of the past two weeks and it has yet to publicize an official disclaimer of the rumors that either Mao or Lin Piao is seriously ill. There is also no new information on Lin's political status--a subject that is increasingly becoming a topic of press speculation. AFP reports from Peking, however, that a Foreign Ministry spokesman has told some members of the foreign diplomatic corps that "in a few days they will receive the clue" as to why National Day celebrations have been curtailed.

The possibility that the current uncertainty in Peking is due to concern over Soviet intentions continues to appear slight. [redacted]

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There is no evidence of a wide-scale deterioration of security within China. On the morning of 24 September Chinese officials at the Hong Kong border were refusing to accept travelers destined for Amoy, a major coastal city in southeast China. Although the armed factional skirmishes which reportedly broke out in this area in August may be continuing, it seems more likely that the severe typhoon which hit the mainland coast yesterday has temporarily disrupted transportation routes in the vicinity of Amoy.

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SOUTH VIETNAM: Preparations are continuing for large-scale demonstrations by radical groups this weekend.

[REDACTED]

[REDACTED] the demonstrations are to be held in several major cities, but they apparently will focus on Saigon. Some students and veterans reportedly are coming into the capital from the provinces. [REDACTED]

[REDACTED]

The government is aware of the protest preparations and can be expected to take pre-emptive measures, some of which could result in delaying the planned demonstrations. [REDACTED]

[REDACTED]

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PAKISTAN: The United Nations relief effort in East Pakistan continues to face many problems, despite President Yahya Khan's protestations of support.

Yahya told the US ambassador he would again make it clear to officials in Islamabad and Dacca that they were to offer all possible assistance to the UN. A government official earlier had questioned the advisability of a UN field staff because of the security problems. Most observers believe, however, that an effective program requires a substantial field staff.

The head of UN relief operations in East Pakistan reports that his mission is more delicate and complicated than he had anticipated. He recited the familiar complaints about a thoroughly disorganized and inefficient government apparatus in East Pakistan, the nearly complete disruption of inland communications and transport, the attitude of passive resistance and non-cooperation from the civilian population, and the expected growth of violence and sabotage by the guerrillas. The latter has continued--five ships including two Pakistani food ships were damaged this week

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LEBANON: Growing opposition to a recent government economic decree threatens to confront the one-year-old Franjiyah government with its first major political crisis.

The politically influential Beirut merchants went on strike on 21 September to protest the decree which raised duties on 450 luxury items. The strike continues effectively to stagnate trade, although a strike by cab drivers has been headed off by a promise to redress their specific grievance. In spite of cabinet opposition, a special session of Parliament has been petitioned by the requisite majority of its members, and unless a face-saving compromise can be worked out beforehand, the session promises to be stormy. Parliament's strongest progovernment political leaders are following the lead of Kamal Jumblatt, Lebanon's most outspoken leftist politician, in attacking the government decree and pressing for legislative action.

President Franjiyah has decided to support the finance minister over the tariff increases, against the advice of the prime minister, and is not likely to back down. Even those who strongly support the government's new economic policies believe that the finance minister has mishandled the matter and fear that the President's decision will damage his standing with the Lebanese people and give the opposition more ammunition.

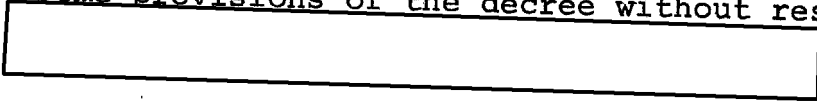
The pending debate in Parliament will be the first major test for the Franjiyah government, and a non-confidence vote is a strong possibility. Parliament members are already irritated with Franjiyah for naming a 12-man cabinet lacking traditional representation from the assembly's ranks.

Meanwhile, because of the continuing agitation the finance minister may have to postpone his visit to Washington next week to attend meetings of the

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International Monetary Fund and to discuss arms
deals with US officials. (Alternatively, the fi-
nance minister could be allowed to depart the scene
while other officials try to modify the effect of
some provisions of the decree without rescinding it.)



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SENEGAL-GUINEA: The recent arrest of several Guineans in Senegal threatens to aggravate further the already strained relations between Conakry and Dakar.

25X1 [redacted] seven or
25X1 eight Guineans--including some embassy personnel--
were arrested on 16 September on charges of subver-
sive activities against the Senghor regime. [redacted]

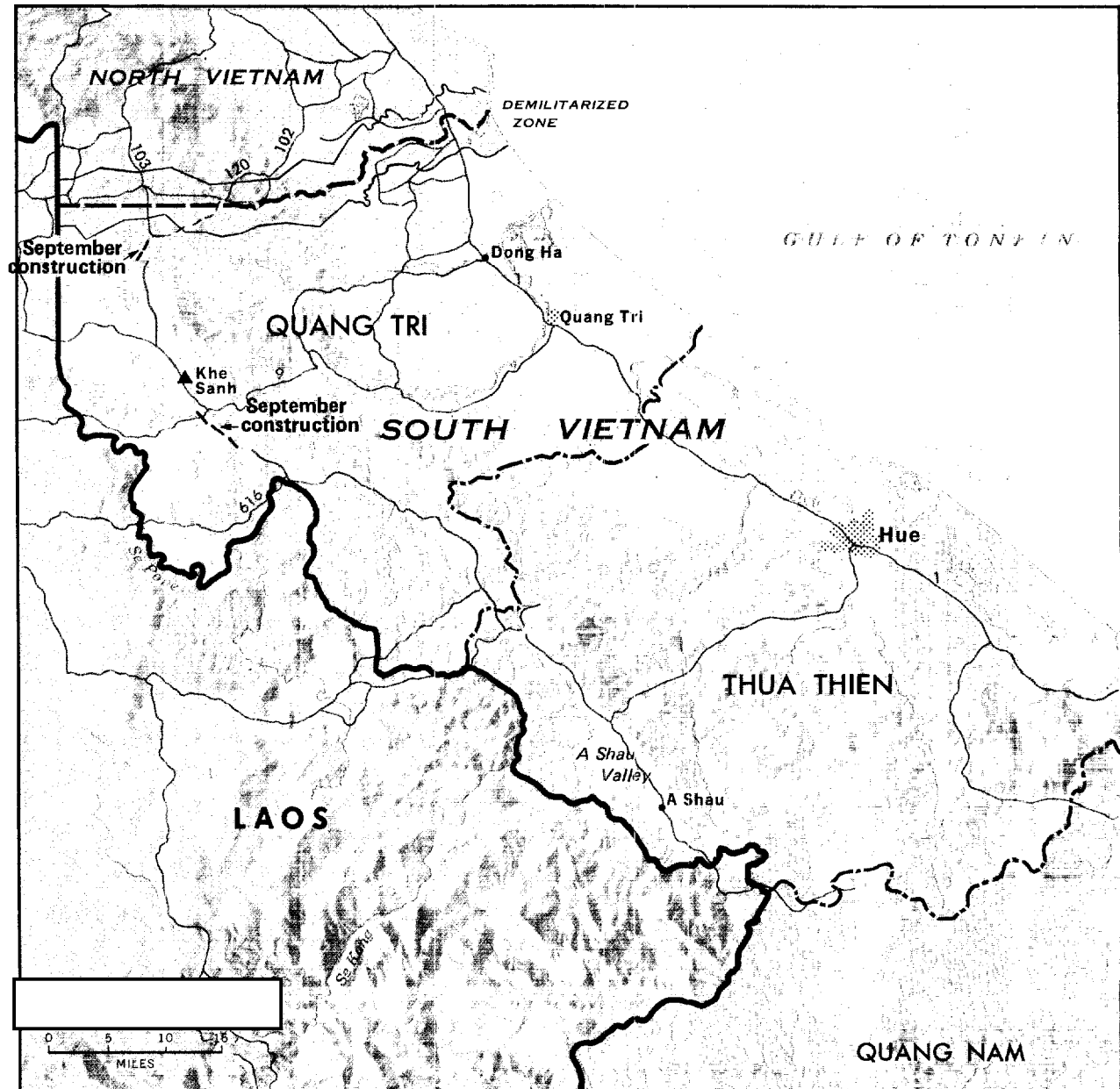
[redacted] Probably
in reaction to the incessant charges by Conakry
that Senegal actively supports anti-Touré dissidents,
the arrested spy's confession has been widely pub-
licized in Senegal's press and radio.

Despite the deterioration of relations with
Conakry, Senegalese President Senghor has been re-
luctant to initiate a complete break with the Touré
regime. The decision to publicize this latest epi-
sode probably reflects his growing impatience with
the Guinean leadership and its protracted propaganda
campaign. [redacted]

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New Communist Road Construction



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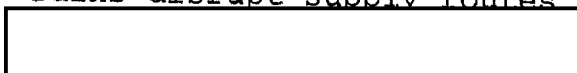
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INTERNATIONAL ECONOMIC DEVELOPMENTS: A French official has followed up the new tack taken in President Pompidou's press conference that the committee of EC central bank governors could be empowered to defend the Community against short-term capital movements and in "concert" manage EC reserves. If effected, such moves could strengthen the EC's bargaining position vis-a-vis Washington. Bank of France Governor Wormser told US Embassy officials that the US should not expect to correct its large balance-of-payments deficits without restrictions on US capital outflows. Wormser also indicated the French feel that the Washington meetings--the Group of Ten Deputy Finance Ministers today, the Ministers on Sunday, and the full International Monetary Fund membership starting on Monday--should at least reach agreement on negotiating procedures to resolve the current impasse. He indicated support of a Swiss National Bank proposal that a select panel be formed to determine each government's position and possible areas of common agreement.



* * * *

INDOCHINA: Recent photography shows that the Communists are closing the final gap in the new road through the western end of the DMZ into the Khe Sanh region of South Vietnam. Much of it is motorable only to tracked construction vehicles, but it could quickly be upgraded to become part of the logistic road net leading into this region from the Laos panhandle and the A Shau valley in South Vietnam. The new road could serve as an alternate to existing roads through Laos. The weather is drier in northern South Vietnam during the summer months while heavy rains disrupt supply routes to the west in Laos.



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BURMA: Rangoon's intention to apply for loans from the International Development Association (IDA), an affiliate of the World Bank, marks a major policy departure. Burma in the past has relied on UN, regional, and bilateral aid agreements, and has been reluctant to turn to the World Bank largely because of its survey and inspection requirements. If approved, the IDA loans will be used mainly to finance infrastructure development, and thus will do little to meet the critical foreign exchange shortage. The latter problem was temporarily alleviated last week by a \$6.5-million credit from the International Monetary Fund.

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JAPAN-PERU: The recent \$65-million Japanese loan package to Peru is Tokyo's initial loan to Lima and the first since 1966 to a Latin American country. The loan package, which includes \$47 million for a fertilizer plant and a microwave system and \$18 million for an electric power line, furthers Tokyo's goal of diversifying its foreign aid, which heretofore has been heavily concentrated in Asia. Peru is important to Japan as a source of large amounts of iron ore and other metallic raw materials.

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